

**FOWLERVILLE COMMUNITY SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2008**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Fowlerville Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fowlerville Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fowlerville Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Fowlerville Community Schools as of June 30, 2008 and the respective changes in financial position, thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008 of Fowlerville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi and xiii and 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fowlerville Community Schools' basic financial statements. The additional information on pages 31 through 48 is presented for purposes of additional analysis and are not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mayer, Costeniser & Ellis, P.C.*

September 12, 2008

## **BASIC FINANCIAL STATEMENTS**

**FOWLERVILLE COMMUNITY SCHOOLS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

<b>ASSETS</b>	<b><u>Governmental activities</u></b>
<b>CURRENT ASSETS:</b>	
Cash	\$ 3,873,711
Cash restricted for capital projects	1,912,019
Receivables:	
Accounts receivable	23,785
Taxes receivable	24,001
Due from other governmental units	3,951,339
Agency fund activities	13,095
Inventories	47,165
Prepaid expenditures	<u>147,297</u>
<b>TOTAL CURRENT ASSETS</b>	<u>9,992,412</u>
<b>NONCURRENT ASSETS:</b>	
Deferred charges, net of amortization	463,045
Capital assets	98,331,776
Less accumulated depreciation	<u>(21,215,155)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>77,579,666</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 87,572,078</u></u>

See notes to financial statements.

	<b>Governmental activities</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 330,083
Accrued salaries and related items	2,286,750
Accrued interest	688,393
Deferred revenue	172,294
Note payable	2,600,000
Current portion of long-term obligations	4,314,746
Current portion of compensated absences and termination benefits	407,056
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,799,322</b>
<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of long-term obligations	88,101,429
Noncurrent portion of compensated absences and termination benefits	1,069,151
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>89,170,580</b>
<b>TOTAL LIABILITIES</b>	<b>99,969,902</b>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	(11,258,175)
Unrestricted	(1,139,649)
<b>TOTAL NET ASSETS</b>	<b>(12,397,824)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 87,572,078</b>



**FOWLERVILLE COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 15,386,536	\$ -	\$ 529,035	\$ (14,857,501)
Support services	8,898,915	-	119,426	(8,779,489)
Community services	690,572	651,918	-	(38,654)
Food services	1,155,549	701,375	373,466	(80,708)
Athletics	509,204	169,557	-	(339,647)
Interest on long-term debt	4,207,473	-	-	(4,207,473)
Unallocated depreciation	2,448,220	-	-	(2,448,220)
Total governmental activities	\$ 33,296,469	\$ 1,522,850	\$ 1,021,927	(30,751,692)
General revenues:				
Property taxes, levied for general purposes				2,353,375
Property taxes, levied for debt service				4,927,516
Investment earnings				417,395
State sources				20,793,709
Intermediate sources				593,398
Other				166,552
Total general revenues				29,251,945
CHANGE IN NET ASSETS				(1,499,747)
NET ASSETS, beginning of year				(10,898,077)
NET ASSETS, end of year				\$ (12,397,824)

FOWLERVILLE COMMUNITY SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General Fund	2004 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 3,098,412	\$ 1,912,019	\$ 775,299	\$ 5,785,730
Receivables:				
Property taxes receivable	11,000	-	13,001	24,001
Accounts receivable	13,230	-	10,555	23,785
Due from other governmental units	3,951,339	-	-	3,951,339
Due from agency activities	13,095	-	-	13,095
Inventories	9,292	-	37,873	47,165
Prepaid expenditures	147,297	-	-	147,297
TOTAL ASSETS	\$ 7,243,665	\$ 1,912,019	\$ 836,728	\$ 9,992,412

LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 164,181	\$ 165,902	\$ -	\$ 330,083
Accrued salaries and related items	2,286,750	-	-	2,286,750
Accrued interest	79,735			79,735
State aid anticipation note	2,600,000			2,600,000
Deferred revenue	224,139	-	6,237	230,376
TOTAL LIABILITIES	5,354,805	165,902	6,237	5,526,944

	General Fund	2004 Capital projects fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Reserved for inventories	\$ 9,292	\$ -	\$ 37,873	\$ 47,165
Reserved for prepaid expenditures	147,297	-	-	147,297
Reserved for debt service	-	-	703,676	703,676
Reserved for capital outlay	-	1,746,117		1,746,117
Unreserved:				
Designated for severance pay	1,110,720	-	-	1,110,720
Designated for subsequent year expenditures	621,551	-	-	621,551
Undesignated	-	-	88,942	88,942
TOTAL FUND BALANCES	1,888,860	1,746,117	830,491	4,465,468
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,243,665	\$ 1,912,019	\$ 836,728	\$ 9,992,412

Total governmental fund balances	\$ 4,465,468
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Amounts reported for governmental activities in the statement of net assets are different because:

Value of amortized bond issuance costs	\$ 613,809
Accumulated amortization	(150,764)
	463,045

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is	98,331,776
Accumulated depreciation is	(21,215,155)
	77,116,621

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds payable	(92,416,175)
Compensated absences and termination benefits	(1,476,207)
Accrued interest is not included as a liability in government funds, it is recorded when paid	(608,658)
Deferred revenue at June 30, 2008, expected to be collected after September 1, 2008	58,082
Net assets of governmental activities	\$ (12,397,824)

**FOWLerville COMMUNITY SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>2004 Capital projects fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 2,345,657	\$ -	\$ 4,927,516	\$ 7,273,173
Tuition	650,676	-	-	650,676
Investment earnings	142,733	222,868	51,794	417,395
Food sales, athletics, and community service	-	-	870,932	870,932
Other	166,552	-	-	166,552
Total local sources	3,305,618	222,868	5,850,242	9,378,728
State sources	20,949,209	-	62,007	21,011,216
Federal sources	430,954	-	373,466	804,420
Incoming transfers and other	593,398	-	-	593,398
Total revenues	25,279,179	222,868	6,285,715	31,787,762
<b>EXPENDITURES:</b>				
Current:				
Instruction	15,545,056	-	-	15,545,056
Supporting services	8,582,405	-	-	8,582,405
Food service activities	-	-	1,104,908	1,104,908
Athletic activities	-	-	485,957	485,957
Community service activities	690,572	-	-	690,572
Outgoing transfers and other transactions	102,653	-	-	102,653
Capital outlay	-	4,435,683	44,735	4,480,418
Debt service:				
Principal repayment	-	-	4,156,000	4,156,000
Interest	-	-	3,632,691	3,632,691
Other	-	-	42,585	42,585
Total expenditures	24,920,686	4,435,683	9,466,876	38,823,245
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 358,493</u>	<u>\$ (4,212,815)</u>	<u>\$ (3,181,161)</u>	<u>\$ (7,035,483)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from school loan revolving fund	-	-	2,988,701	2,988,701
Operating transfers from other funds	-	-	427,355	427,355
Operating transfers to other funds	(427,355)	-	-	(427,355)
Total other financing sources (uses)	(427,355)	-	3,416,056	2,988,701
<b>NET CHANGE IN FUND BALANCES</b>	(68,862)	(4,212,815)	234,895	(4,046,782)
<b>FUND BALANCES:</b>				
Beginning of year	1,957,722	5,958,932	595,596	8,512,250
End of year	<u>\$ 1,888,860</u>	<u>\$ 1,746,117</u>	<u>\$ 830,491</u>	<u>\$ 4,465,468</u>

**FOWLERVILLE COMMUNITY SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

**Net change in fund balances total governmental funds** \$(4,046,782)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(2,624,145)
Capital outlay	4,435,683

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	632,631
Accrued interest payable, end of the year	(608,658)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Proceeds from issuance of bonds	(2,988,701)
Payments on debt	4,255,215
Long-term interest on school bond loan funds	(588,001)
Amortization of bond issuance costs	(36,106)
Amortization of deferred loss on refunding	(7,049)
Amortization of bond premium	42,318

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred revenue, beginning of the year	(49,122)
Deferred revenue, end of the year	58,082

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and termination benefits, beginning of the year	1,501,095
Accrued compensated absences and termination benefits, end of the year	(1,476,207)

<b>Change in net assets of governmental activities</b>	<b>\$(1,499,747)</b>
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**FOWLERVILLE COMMUNITY SCHOOLS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008**

	<u>Agency fund</u>	<u>Private Purpose Trust Fund</u>
<b>ASSETS:</b>		
Cash	\$ 324,970	\$ 165,390
Accounts receivable	<u>1,000</u>	<u>1,136</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 325,970</u></u>	<u><u>\$ 166,526</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 1,136	\$ 1,000
Accounts payable - primary government	13,095	
Due to student and other groups	<u>311,739</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	325,970	1,000
<b>NET ASSETS:</b>		
Reserved for trust activities	<u>-</u>	<u>165,526</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 325,970</u></u>	<u><u>\$ 166,526</u></u>

**FOWLERVILLE COMMUNITY SCHOOLS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2008**

	<b><u>Private Purpose Trust Fund</u></b>
<b>ADDITIONS:</b>	
Donations	\$ 35,211
Interest earnings	<u>7,426</u>
Total additions	<u>42,637</u>
<b>DEDUCTIONS:</b>	
Scholarships awarded	5,500
Other	<u>31</u>
Total deductions	<u>5,531</u>
<b>CHANGE IN NET ASSETS</b>	37,106
<b>NET ASSETS:</b>	
Beginning of year	<u>128,420</u>
End of year	<u><u>\$ 165,526</u></u>

## **FOWLerville COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Fowlerville Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

#### **A. Reporting entity**

The Fowlerville Community Schools (the "District") is governed by the Fowlerville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

#### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**FOWLerville COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Continued)**

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital project fund* accounts for the revenue and expenditures that are related to the net proceeds from the issuance of the general obligation bonds that are going to be used to erect, furnish and equip additions to and remodel, re-equip and refurnish school district buildings, acquire and install educational technology improvements, construct and equip a new maintenance building, and develop and improve sites, playgrounds, and athletic fields and facilities.



**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Concluded)**

The Capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2004 capital projects fund. The project for which the 2004 capital projects fund bonds were issued was considered complete on November 1, 2007 and the cumulative expenditures recognized for the construction period were \$50,770,928.

The following is a summary of the revenue and expenditures for the 2004 capital projects bond activity since inception of the fund through the current fiscal year:

	<u>2004 Bond</u>
Revenues and other financing sources	<u>\$ 52,517,045</u>
Expenditures	<u>\$ 50,770,928</u>

The above revenue amount includes net bond proceeds of \$49,185,778.

**Other non-major funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**FOWLerville COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the Foundation allowance was based on pupil membership counts taken in February and September of 2007.

**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**State Revenue (Concluded)**

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools* and No. 40, *Deposit and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit. (Concluded)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead	8.3400

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 20 years

The District’s capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

The District’s policies generally provide for granting vacation or sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Concluded)**

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method, over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. Net Asset Reporting

In the computation of invested in capital assets, net of related debt, school bond loan fund and school bond revolving fund principal proceeds of \$13,367,266 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$1,832,217 has been included in the calculation of unrestricted net assets.

**FOWLerville COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

As of June 30, 2008, the District had no investments.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, the District did not have investments in commercial paper and corporate bonds.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$5,646,617 of the District's bank balance of \$5,846,617 was exposed to custodial credit risk because it was uninsured and uncollateralized. The bank balance includes approximately \$2.8 million of certificates of deposits and savings accounts. The carrying amount is \$5,785,730.

Fiduciary fund balances are not included in the above balances. As of June 30, 2008, \$248,942 of the Fiduciary fund's bank balance of \$490,360 was exposed to custodial credit risk because it was uninsured and uncollateralized. This carrying amount is \$490,360.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.



**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)**

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Assets not being depreciated:				
Land	\$ 960,000	\$ -	\$ -	\$ 960,000
Construction in progress	46,242,243	-	46,242,243	-
Total assets not being depreciated	<u>47,202,243</u>	<u>-</u>	<u>46,242,243</u>	<u>960,000</u>
Other capital assets:				
Land improvements	1,006,955	9,189,626	-	10,196,581
Buildings and additions	40,785,984	37,972,446	-	78,758,430
Machinery and equipment	2,911,023	3,515,854	-	6,426,877
Transportation equipment	1,989,888	-	-	1,989,888
Subtotal	<u>46,693,850</u>	<u>50,677,926</u>	<u>-</u>	<u>97,371,776</u>
Accumulated depreciation:				
Land improvements	564,208	557,133	-	1,121,341
Buildings and additions	13,962,071	1,439,318	-	15,401,389
Machinery and equipment	2,379,473	524,327	-	2,903,800
Transportation equipment	1,685,258	103,367	-	1,788,625
Total accumulated depreciation	<u>18,591,010</u>	<u>2,624,145</u>	<u>-</u>	<u>21,215,155</u>
Net capital assets being depreciated	<u>28,102,840</u>	<u>48,053,781</u>	<u>-</u>	<u>76,156,621</u>
Net governmental capital assets	<u>\$ 75,305,083</u>	<u>\$ 48,053,781</u>	<u>\$ 46,242,243</u>	<u>\$ 77,116,621</u>

**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS (Concluded)**

Depreciation expense was charged to programs of the District as follows:

Governmental activities:	
Athletics	\$ 23,247
Food service	5,906
Support services	146,772
Unallocated	<u>2,448,220</u>
Total governmental activities	<u><u>\$ 2,624,145</u></u>

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2008 consist of the following:

	<u>General fund</u>
Other governmental units:	
State aid	\$ 3,785,323
Federal revenue	118,977
Other	<u>47,039</u>
	<u><u>\$ 3,951,339</u></u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - NOTE PAYABLE**

At June 30, 2008, the District has a note payable outstanding of \$2,600,000. The note has an interest rate of 3.68% and matures August 20, 2008. The note is secured by the full faith and credit of the District as well as pledged state aid. Subsequent to year-end, the District set aside an additional amount to pay off the note principal and related interest expense. The District has approved a note payable of \$1,500,000 for the fiscal year ending June 30, 2009.

Balance June 30, 2007	Additions	Payments	Balance June 30, 2008
\$ 3,500,000	\$ 2,600,000	\$ 3,500,000	\$ 2,600,000

**NOTE 7 - LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2008:

	Accumulated compensated absences	Accumulated severance benefits	Bonds and other debt	Total
Balance, July 1, 2007	\$ 232,491	\$ 1,268,604	\$ 93,129,957	\$ 94,631,052
Additions	27,828	227,244	3,576,702	3,831,774
Deletions		(280,000)	(4,290,484)	(4,570,484)
Balance, June 30, 2008	260,319	1,215,888	92,416,175	93,892,382
Less current portion	26,032	381,024	4,314,746	4,721,802
Total due after one year	\$ 234,287	\$ 834,864	\$ 88,101,429	\$ 89,170,580

**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Continued)**

Bonds payable at June 30, 2008 is comprised of the following issues:

1995 serial bonds due in annual installments of \$95,000 through May 1, 2010 with interest from 5.10% to 5.90%	\$ 190,000
1999 refunding serial bonds due in annual installments of \$810,000 to \$910,000 through May 1, 2026 with interest from 3.10% to 4.75%	15,530,000
2001 refunding serial bonds due in annual installments of \$485,000 through May 1, 2009 with interest from 4.00% to 4.13%	485,000
2003 refunding serial bonds due in annual installments of \$340,000 to \$425,000 through May 1, 2020 with interest from 2.00% to 4.35%	4,555,000
2003 refunding serial bonds due in annual installments of \$1,472,000 to \$1,728,000 through May 1, 2014 with interest at 3.318%	9,584,000
2004 serial bonds due in annual installments of \$975,000 to \$2,750,000 through May 1, 2034 with interest from 2.25% to 5.00%	46,275,000
Plus: premium on bond refunding	547,046
Less: deferred loss on bond refunding	<u>(84,583)</u>
Total general obligation debt	77,081,463
Limited obligation (Durant) bonds due in annual installments of \$12,746 to \$80,490 through May 2013 with an interest rate of 4.76%. Certain State Aid payments have been pledged as security.	<u>135,229</u>
Total bonded debt	77,216,692
Borrowings from the State of Michigan under the School Bond Loan and School Loan Revolving Funds Programs, including interest. Interest at June 30, 2007 was 4.25% for the School Bond Loan Fund and 4.38456% for the School Loan Revolving Funds.	<u>15,199,483</u>
Total bonds and other debt	92,416,175
Obligation under contract for compensated absences	260,319
Obligation under contract for severance benefits	744,488
Obligation under contract for voluntary separation plan	<u>471,400</u>
Total general long-term debt	<u><u>\$ 93,892,382</u></u>

**FOWLERVILLE COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Continued)**

The District had entered into voluntary termination benefit arrangements with certain employees. The original agreement provides for a total payment to each individual of \$60,000. This amount is paid over three equal payments of \$20,000 annually. There are currently fourteen employees entitled to these future payments. The District extended the voluntary benefit arrangement and six employees elected to participate. Five employees are entitled to a total payment of \$33,000 and one is entitled to \$26,400. These amounts are also to be paid over three equal payments of \$11,000 and \$8,000 annually. The liability has been recorded at the face amount as the discounted present value approximates face amount of the liability.

The Durant bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2008, \$19,175,000 of bonds outstanding are considered defeased.

**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Concluded)**

The annual requirements to amortize debt outstanding as of June 30, 2008, including interest payments of \$44,409,625 are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2009	\$ 4,314,746	\$ 3,491,773	\$ 7,806,519
2010	3,963,353	3,336,155	7,299,508
2011	3,953,988	2,058,201	6,012,189
2012	4,045,653	3,035,336	7,080,989
2013	4,198,489	2,910,639	7,109,128
2014 - 2018	14,668,000	12,267,451	26,935,451
2019 - 2023	13,535,000	8,965,530	22,500,530
2024 - 2028	12,950,000	5,625,790	18,575,790
2029 - 2033	12,375,000	2,581,250	14,956,250
2034 - 2038	2,750,000	137,500	2,887,500
	76,754,229	44,409,625	121,163,854
Premium on bond refunding	547,046		547,046
Deferred loss on bond refunding	(84,583)		(84,583)
Borrowings from the State of Michigan under the School Bond Loan and Revolving Loan Funds, including interest	15,199,483		15,199,483
Accumulated compensated absences	260,319		260,319
Accumulated severance benefits	1,215,888		1,215,888
	<u>\$93,892,382</u>	<u>\$44,409,625</u>	<u>\$138,302,007</u>

Borrowing from the State of Michigan - The school bond loans payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates ranging from 4.38456% - 4.82341% for the School Loan Revolving Fund notes and 4.25% - 4.75% for the School Bond Loan Fund notes have been assessed for the year ended June 30, 2008. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.55 mills. The school district is required to levy 7.55 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 8.34 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule.

**FOWLerville COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2008 were zero.

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate through September 30, 2007 was 17.74% of payroll and decreased to 16.72% effective October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007 and 2006 were \$2,485,000, \$2,437,000, and \$2,271,000, respectively, and were equal to the required contribution for those years.

**FOWLerville COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement or post-retirement benefits which is the responsibility of the State of Michigan.

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

**NOTE 11 - TRANSFERS**

The general fund transferred \$316,400 to the athletics fund, \$4,710 to the food service fund and \$106,245 to the debt service fund. The transfer to the athletic fund and the food service fund were to subsidize operations. The transfer to the debt service fund was to pay the debt service principal and interest payments as they become due. There was an interfund transfer from the 1996 debt service fund to the 1999 debt service fund for \$48,305. The purpose of this interfund transfer was to close out the 1996 debt fund.



**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - OPERATING LEASES**

The District leases copiers under an operating lease agreement expiring June 30, 2009. Minimum rental commitments for all non-cancelable operating leases are as follows:

Year ending	
2009	\$ <u>34,930</u>

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

The District has approximately \$2,000,000 committed to complete its capital projects building program.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**FOWLERVILLE COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget- positive (negative)</b>
<b>REVENUES:</b>				
Local sources	\$ 3,357,786	\$ 3,352,368	\$ 3,305,618	\$ (46,750)
State sources	20,242,213	21,116,415	20,949,209	(167,206)
Federal sources	366,290	526,157	430,954	(95,203)
Incoming transfers and other	533,200	596,380	593,398	(2,982)
Total revenues	24,499,489	25,591,320	25,279,179	(312,141)
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	12,271,520	12,478,378	12,406,122	72,256
Added needs	3,234,264	3,281,969	3,138,934	143,035
Total instruction	15,505,784	15,760,347	15,545,056	215,291
Supporting services:				
Pupil	945,469	995,050	987,744	7,306
Instructional staff	648,744	812,877	751,318	61,559
General administration	497,159	486,948	481,813	5,135
School administration	1,523,909	1,495,865	1,491,241	4,624
Business	432,868	562,351	561,886	465
Operation/maintenance	2,479,468	2,425,167	2,399,694	25,473
Pupil transportation	1,465,998	1,416,107	1,412,328	3,779
Central	543,910	504,617	496,381	8,236
Total supporting services	8,537,525	8,698,982	8,582,405	116,577
Community services	725,839	704,471	690,572	13,899
Outgoing transfers and other transactions	98,100	102,653	102,653	-
Total expenditures	24,867,248	25,266,453	24,920,686	345,767
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(367,759)</b>	<b>324,867</b>	<b>358,493</b>	<b>33,626</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers to other funds	(418,554)	(430,375)	(427,355)	3,020
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (786,313)</b>	<b>\$ (105,508)</b>	<b>(68,862)</b>	<b>\$ 36,646</b>
<b>FUND BALANCE:</b>				
Beginning of year			1,957,722	
End of year			\$ 1,888,860	

## **ADDITIONAL INFORMATION**

**FOWLERVILLE COMMUNITY SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2008**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 84,624	\$ 690,675	\$ 775,299
Accounts receivable	10,555	-	10,555
Delinquent taxes receivable	-	13,001	13,001
Inventories	37,873	-	37,873
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 133,052</u></u>	<u><u>\$ 703,676</u></u>	<u><u>\$ 836,728</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Deferred revenue	\$ 6,237	\$ -	\$ 6,237
	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES:</b>			
Reserved for inventories	37,873	-	37,873
Reserved for debt service	-	703,676	703,676
Unreserved, undesignated	88,942	-	88,942
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u>126,815</u>	<u>703,676</u>	<u>830,491</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 133,052</u></u>	<u><u>\$ 703,676</u></u>	<u><u>\$ 836,728</u></u>

**FOWLERVILLE COMMUNITY SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

	<b>Special revenue</b>	<b>Debt service</b>	<b>Total nonmajor governmental funds</b>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$ -	\$ 4,927,516	\$ 4,927,516
Investment earnings	7,135	44,659	51,794
Food sales and athletics	870,932	-	870,932
	<u>878,067</u>	<u>4,972,175</u>	<u>5,850,242</u>
Total local sources	878,067	4,972,175	5,850,242
State sources	62,007	-	62,007
Federal sources	373,466	-	373,466
	<u>1,313,540</u>	<u>4,972,175</u>	<u>6,285,715</u>
Total revenues	1,313,540	4,972,175	6,285,715
<b>EXPENDITURES:</b>			
Current:			
Food service activities	1,104,908	-	1,104,908
Athletic activities	485,957	-	485,957
Capital outlay	44,735	-	44,735
Debt service:			
Principal repayment	-	4,156,000	4,156,000
Interest expense	-	3,632,691	3,632,691
Other expense	-	42,585	42,585
	<u>1,635,600</u>	<u>7,831,276</u>	<u>9,466,876</u>
Total expenditures	1,635,600	7,831,276	9,466,876
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(322,060)</u>	<u>(2,859,101)</u>	<u>(3,181,161)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from school loan revolving fund	-	2,988,701	2,988,701
Operating transfers from other funds	321,110	106,245	427,355
	<u>321,110</u>	<u>3,094,946</u>	<u>3,416,056</u>
Total other financing sources	321,110	3,094,946	3,416,056
<b>NET CHANGE IN FUND BALANCES</b>	(950)	235,845	234,895
<b>FUND BALANCES:</b>			
Beginning of year	<u>127,765</u>	<u>467,831</u>	<u>595,596</u>
End of year	<u>\$ 126,815</u>	<u>\$ 703,676</u>	<u>\$ 830,491</u>

**FOWLERVILLE COMMUNITY SCHOOLS  
SPECIAL REVENUE FUND  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<b>Food Service</b>	<b>Athletic</b>	<b>Totals</b>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 84,624	\$ -	\$ 84,624
Accounts receivable	10,555	-	10,555
Inventories	37,873	-	37,873
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 133,052</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 133,052</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Deferred revenue	<u>\$ 6,237</u>	<u>\$ -</u>	<u>\$ 6,237</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES:</b>			
Reserved for inventories	37,873	-	37,873
Unreserved/undesignated	88,942	-	88,942
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u>126,815</u>	<u>-</u>	<u>126,815</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 133,052</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 133,052</u></u>

**FOWLERVILLE COMMUNITY SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008**

	<u>Food Service</u>	<u>Athletic</u>	<u>Totals</u>
<b>REVENUES:</b>			
Sales	\$ 701,375	\$ -	\$ 701,375
State aid	62,007	-	62,007
Federal aid	373,466	-	373,466
Athletics	-	169,557	169,557
Investment earnings	7,135	-	7,135
	<u>1,143,983</u>	<u>169,557</u>	<u>1,313,540</u>
<b>EXPENDITURES:</b>			
Salaries	358,397	285,430	643,827
Benefits	171,224	93,649	264,873
Supplies and materials	566,834	106,878	673,712
Capital outlay	44,735	-	44,735
Other expenses	8,453	-	8,453
	<u>1,149,643</u>	<u>485,957</u>	<u>1,635,600</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(5,660)</u>	<u>(316,400)</u>	<u>(322,060)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds	<u>4,710</u>	<u>316,400</u>	<u>321,110</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(950)</u>	<u>-</u>	<u>(950)</u>
<b>FUND BALANCES:</b>			
Beginning of year	<u>127,765</u>	<u>-</u>	<u>127,765</u>
End of year	<u>\$ 126,815</u>	<u>\$ -</u>	<u>\$ 126,815</u>



**FOWLerville COMMUNITY SCHOOLS  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008**

	<u>1995</u>	<u>1996</u>	<u>1999</u>	<u>2001</u>	<u>2003</u>	<u>2003 SBLF</u>	<u>2004</u>	<u>Total</u>
<b>ASSETS</b>								
<b>ASSETS:</b>								
Cash and cash equivalents	\$ 18	\$ -	\$ 138,125	\$ 57,551	\$ 57,995	\$ 190,170	\$ 246,816	\$ 690,675
Delinquent taxes receivable	-	-	2,607	1,047	1,092	3,592	4,663	13,001
<b>TOTAL ASSETS</b>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ 140,732</u>	<u>\$ 58,598</u>	<u>\$ 59,087</u>	<u>\$ 193,762</u>	<u>\$ 251,479</u>	<u>\$ 703,676</u>
<b>FUND BALANCES:</b>								
Reserved for debt service	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ 140,732</u>	<u>\$ 58,598</u>	<u>\$ 59,087</u>	<u>\$ 193,762</u>	<u>\$ 251,479</u>	<u>\$ 703,676</u>

**FOWLerville COMMUNITY SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPEDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2008**

	<b>1995</b>	<b>1996</b>	<b>1999</b>	<b>2001</b>	<b>2003</b>	<b>2003 SBLF</b>	<b>2004</b>	<b>Total</b>
<b>REVENUES:</b>								
Local sources:								
Property taxes	\$ -	\$ -	\$ 988,605	\$ 396,615	\$ 413,847	\$ 1,361,243	\$ 1,767,206	\$ 4,927,516
Interest	2	796	8,975	6,367	2,926	11,171	14,422	44,659
Total revenues	2	796	997,580	402,982	416,773	1,372,414	1,781,628	4,972,175
<b>EXPENDITURES:</b>								
Redemption of bonds	90,000	-	795,000	500,000	395,000	1,426,000	950,000	4,156,000
Interest on bonded debt	16,245	-	744,020	40,256	189,395	365,312	2,277,463	3,632,691
Other	-	-	11,353	4,786	4,479	9,515	12,452	42,585
Total expenditures	106,245	-	1,550,373	545,042	588,874	1,800,827	3,239,915	7,831,276
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(106,243)	796	(552,793)	(142,060)	(172,101)	(428,413)	(1,458,287)	(2,859,101)
<b>OTHER FINANCING SOURCES (USES):</b>								
Interfund transfer		(48,305)	48,305					-
Proceeds from school loan revolving fund	-	-	610,269	128,626	193,189	503,208	1,553,409	2,988,701
Operating transfers from other funds	106,245	-	-	-	-	-	-	106,245
Total other financing sources (uses)	106,245	(48,305)	658,574	128,626	193,189	503,208	1,553,409	3,094,946
<b>NET CHANGE IN FUND BALANCES</b>	2	(47,509)	105,781	(13,434)	21,088	74,795	95,122	235,845
<b>FUND BALANCES:</b>								
Beginning of year	16	47,509	34,951	72,032	37,999	118,967	156,357	467,831
End of year	\$ 18	\$ -	\$ 140,732	\$ 58,598	\$ 59,087	\$ 193,762	\$ 251,479	\$ 703,676

**FOWLerville COMMUNITY SCHOOLS  
FIDUCIARY FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008  
(with comparative totals for June 30, 2007)**

	<u>Agency fund</u>	<u>Private Purpose Trust Fund</u>	<u>Totals</u>
<b>ASSETS:</b>			
Cash	\$ 324,970	\$ 165,390	\$ 490,360
Accounts receivable	1,000	1,136	2,136
	<u>\$ 325,970</u>	<u>\$ 166,526</u>	<u>\$ 492,496</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 14,231	\$ 1,000	\$ 15,231
Due to student and other groups	311,739	-	311,739
<b>TOTAL LIABILITIES</b>	325,970	1,000	326,970
<b>NET ASSETS:</b>			
Reserved for trust activities	-	165,526	165,526
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 325,970</u>	<u>\$ 166,526</u>	<u>\$ 492,496</u>

**FOWLerville COMMUNITY SCHOOLS**  
**AGENCY FUNDS**  
**(INTERNAL FUNDS)**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY**  
**YEAR ENDED JUNE 30, 2008**

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
Allshouse Scholarship	\$ 25,119	\$ 2,664	\$ (27,783)	\$ -
Athletic Baseball	1,430	4,856	(3,577)	2,709
Athletic Baseball equipment	21	4,254	(4,275)	-
Athletic Boys Basketball	1	120	-	121
Athletic Cross Country	1,021	-	(266)	755
 Athletic Girls Basketball	 773	 -	 -	 773
Athletic - soccer internal	874	-	(164)	710
Athletic Soccer G Internal	-	1,391	(1,200)	191
Athletic - softball internal	1	-	(1)	-
Athletic resale	6,849	5,023	(7,518)	4,354
 Beagle Scholarship	 29	 26	 (55)	 -
Board Scholarship	1,737	-	(1,737)	-
Bus Employees	(83)	680	(597)	-
Cash over and under	256	70	(3)	323
Cheerleaders	158	2,052	(2,210)	-
 Class of 2005	 2,660	 -	 (1)	 2,659
Class of 2006	(2)	2	-	-
Class of 2008	10,161	1,423	(11,446)	138
Class of 2009	17,590	21,911	(13,046)	26,455
Class of 2010	434	7,736	(3,056)	5,114
 Class of 2011	 -	 7,891	 (3,017)	 4,874
Commander	12,587	10,513	(16,711)	6,389
Dare	4,607	-	(4,607)	-
Drug Dog	418	-	(418)	-
Equipment sale	9,032	-	-	9,032
 FFA	 1,098	 -	 -	 1,098
FIVA	73	590	(541)	122
Fowlerville MAFHK	538	-	-	538
Rose Hamlin Scholarship	(500)	1,500	(1,000)	-
Michael Hanks Scholarship	1,000	-	(1,000)	-

**FOWLERVILLE COMMUNITY SCHOOLS**  
**AGENCY FUNDS**  
**(INTERNAL FUNDS)**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY**  
**YEAR ENDED JUNE 30, 2008**

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
Harmon Scholarship	\$ 500	\$ -	\$ (500)	\$ -
High School Activity	97,778	61,071	(61,624)	97,225
High School Band	7,659	3,191	(9,622)	1,228
High School Jazz Band	-	615	(603)	12
High School PSAT	210	-	-	210
Student Council (HS)	1,307	361	(1,594)	74
Jr. High Activity	15,847	18,130	(20,369)	13,608
Jr. High Band	171	-	-	171
Jr. High Choir	940	4,843	(5,009)	774
Jr. High Resource	1,818	7,308	(7,674)	1,452
Jr. High Science	427	1,316	(1,458)	285
Jr. High Student Council/Govt	391	1,768	(1,408)	751
Jr. High Talent Show	1,362	608	(38)	1,932
Jr. High Track Board	508	176	(157)	527
Jr. High Yearbook	6,120	3,652	(4,603)	5,169
Kovacs Donation	1,529	-	-	1,529
Kreeger Activity	12,262	5,406	(11,517)	6,151
Kreeger Book Fair	6,077	11,532	(10,663)	6,946
Kreeger Café	-	566	(98)	468
Kreeger Counseling	1,258	-	(14)	1,244
Kreeger Family Scholarship	1,148	-	(1,148)	-
Kreeger Instruction	419	-	-	419
Kreeger KTPN	18,106	56,053	(43,143)	31,016
Little Glad Center	1,718	15,741	(14,702)	2,757
Lift A Thon	6,826	11,358	(13,490)	4,694
M C	-	140	(80)	60
Middle School Activity	11,784	60,484	(60,534)	11,734
MS Student Government	1,296	4,806	(6,102)	-
Middle School PTG	13,494	28,579	(28,613)	13,460
Middle School Yearbook	2,707	4,829	(4,033)	3,503

**FOWLERVILLE COMMUNITY SCHOOLS**  
**AGENCY FUNDS**  
**(INTERNAL FUNDS)**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY**  
**YEAR ENDED JUNE 30, 2008**

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
National Honor Society	\$ 1,379	\$ -	\$ (869)	\$ 510
Performing Art Center	-	1,731	-	1,731
Rec-Community Ed	2,955	9,920	(9,142)	3,733
Rec-Pepsi	187	-	(120)	67
Remembrance Fund	2,331	5,520	(4,788)	3,063
Smith Elementary Activity	8,014	5,824	(7,756)	6,082
Smith PTC	18,689	41,686	(39,251)	21,124
Spanish Club	7	390	(390)	7
Tesch Scholarship	2,675	725	(3,400)	-
Unallocated interest (checking)	2,250	1,668	(2,250)	1,668
VanGorder Scholarship	(2,000)	3,000	(2,000)	(1,000)
Wrestling Club	532	-	(532)	-
Due from VanGorder Trust/Scholarship Fund	-	1,000	-	1,000
	<u>\$ 348,563</u>	<u>\$ 446,699</u>	<u>\$ (483,523)</u>	<u>\$ 311,739</u>

**FOWLERVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1995 DEBT**  
**YEAR ENDED JUNE 30, 2008**

Bond issue for the purpose of renovating the School District Building to help conserve energy costs.

Interest due		Principal due May 1,	Debt service requirement for fiscal year	
November 1,	May 1,		June 30,	Amount
\$ 5,557	\$ 5,557	\$ 95,000	2009	\$ 106,114
2,803	2,803	95,000	2010	100,606
<u>\$ 8,360</u>	<u>\$ 8,360</u>	<u>\$ 190,000</u>		<u>\$ 206,720</u>

The above bonds have interest rates from 5.10% to 5.90%.

**FOWLERVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1999 DEBT**  
**YEAR ENDED JUNE 30, 2008**

Bond issue dated March 4, 1999 for the purpose of refunding a portion of the School District's outstanding school building and site bonds dated November 21, 1996 which are due and payable in the years 1997 through 2026.

Interest due		Principal due May 1,	Debt service requirement for fiscal year	
November 1,	May 1,		June 30,	Amount
\$ 355,911	\$ 355,911	\$ 890,000	2009	\$ 1,601,822
337,444	337,444	910,000	2010	1,584,888
317,879	317,879	905,000	2011	1,540,758
297,969	297,969	900,000	2012	1,495,938
277,719	277,719	895,000	2013	1,450,438
257,581	257,581	885,000	2014	1,400,162
237,669	237,669	880,000	2015	1,355,338
217,869	217,869	875,000	2016	1,310,738
198,181	198,181	865,000	2017	1,261,362
178,719	178,719	860,000	2018	1,217,438
158,294	158,294	855,000	2019	1,171,588
137,988	137,988	850,000	2020	1,125,976
117,800	117,800	845,000	2021	1,080,600
97,731	97,731	835,000	2022	1,030,462
77,900	77,900	830,000	2023	985,800
58,188	58,188	825,000	2024	941,376
38,594	38,594	815,000	2025	892,188
19,238	19,238	810,000	2026	848,476
<u>\$ 3,382,674</u>	<u>\$ 3,382,674</u>	<u>\$ 15,530,000</u>		<u>\$ 22,295,348</u>

The above bonds have interest rates from 3.10% to 4.75%



**FOWLERVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2001 DEBT**  
**YEAR ENDED JUNE 30, 2008**

Bond issue dated June 28, 2001 for the purpose of refunding a portion of the School District's outstanding school building and site bonds dated May 21, 1992 which are due and payable in the years 1993 through 2009.

Interest due		Principal due May 1,	Debt service requirement for fiscal year	
November 1,	May 1,		June 30,	Amount
<u>\$ 10,003</u>	<u>\$ 10,003</u>	<u>\$ 485,000</u>	2009	<u>\$ 505,006</u>

The above bonds have interest rates from 4.00% to 4.13%

**FOWLERVILLE COMMUNITY SCHOOLS  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2003 DEBT  
YEAR ENDED JUNE 30, 2008**

Bond issue dated March 14, 2003 for the purpose of refunding a portion of the School District's outstanding school building and site bonds dated August 29, 1991 which were refunded in 1993 which are due and payable in the years 2004 through 2020.

Interest due		Principal due May 1,	Debt service requirement for fiscal year	
November 1,	May 1,		June 30,	Amount
\$ 89,266	\$ 89,266	\$ 385,000	2009	\$ 563,532
83,251	83,251	425,000	2010	591,502
75,813	75,813	415,000	2011	566,626
68,032	68,032	410,000	2012	546,064
59,832	59,832	400,000	2013	519,664
51,832	51,832	385,000	2014	488,664
44,132	44,132	375,000	2015	463,264
36,632	36,632	365,000	2016	438,264
29,332	29,332	355,000	2017	413,664
22,054	22,054	345,000	2018	389,108
14,939	14,939	355,000	2019	384,878
7,394	7,394	340,000	2020	354,788
<u>\$ 582,509</u>	<u>\$ 582,509</u>	<u>\$ 4,555,000</u>		<u>\$ 5,720,018</u>

The above bonds have interest rates from 2.00% to 4.35%.

**FOWLERVILLE COMMUNITY SCHOOLS  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS  
2003 SBLF REFUNDING DEBT  
YEAR ENDED JUNE 30, 2008**

The 2003 School Bond Loan Refunding Bond dated September 30, 2003 for the purpose of refunding a portion of the School District's School Bond Loan Fund.

Interest due		Principal due May 1,	Debt service requirement for fiscal year	
November 1,	May 1,		June 30,	Amount
\$ 158,999	\$ 158,999	\$ 1,472,000	2009	\$ 1,789,998
134,578	134,578	1,520,000	2010	1,789,156
109,361	109,361	1,570,000	2011	1,788,722
83,315	83,315	1,621,000	2012	1,787,630
56,423	56,423	1,673,000	2013	1,785,846
28,668	28,668	1,728,000	2014	1,785,336
<u>\$ 571,344</u>	<u>\$ 571,344</u>	<u>\$ 9,584,000</u>		<u>\$ 10,726,688</u>

The above bonds have an interest rate of 3.318%.

**FOWLERVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2004 DEBT**  
**YEAR ENDED JUNE 30, 2008**

Bond issue dated June 14, 2004 for the purpose of erecting, furnishing and equipping additions to and remodeling, re-equipping and refurbishing school district buildings, acquiring and installing educational technology improvements, constructing and equipping a new maintenance building, and developing and improving sites, playgrounds, and athletic fields and facilities dated August 17, 2004 which are due and payable in the years 2006 through 2034.

Interest due		Principal due May 1,	Debt service requirement for fiscal year	
May 1,	November 1,		June 30,	Amount
\$ 1,124,481	\$ 1,124,482	\$ 975,000	2009	\$ 3,223,963
1,108,637	1,108,637	1,000,000	2010	3,217,274
1,088,637	1,088,637	1,050,000	2011	3,227,274
1,067,638	1,067,637	1,100,000	2012	3,235,275
1,047,563	1,047,562	1,150,000	2013	3,245,125
1,025,713	1,025,712	1,200,000	2014	3,251,425
1,002,313	1,002,312	1,275,000	2015	3,279,625
970,438	970,437	1,350,000	2016	3,290,875
935,000	935,000	1,425,000	2017	3,295,000
897,594	897,594	1,500,000	2018	3,295,188
858,219	858,219	1,575,000	2019	3,291,438
816,875	816,875	1,650,000	2020	3,283,750
775,625	775,625	1,725,000	2021	3,276,250
732,500	732,500	1,800,000	2022	3,265,000
687,500	687,500	1,875,000	2023	3,250,000
640,625	640,625	1,950,000	2024	3,231,250
591,875	591,875	2,025,000	2025	3,208,750
541,250	541,250	2,100,000	2026	3,182,500
488,750	488,750	2,175,000	2027	3,152,500
434,375	434,375	2,250,000	2028	3,118,750
378,125	378,125	2,325,000	2029	3,081,250
320,000	320,000	2,400,000	2030	3,040,000
260,000	260,000	2,475,000	2031	2,995,000
198,125	198,125	2,550,000	2032	2,946,250
134,375	134,375	2,625,000	2033	2,893,750
68,750	68,750	2,750,000	2034	2,887,500
<u>\$ 18,194,983</u>	<u>\$ 18,194,979</u>	<u>\$ 46,275,000</u>		<u>\$ 82,664,962</u>

The above bonds have interest rates from 2.25% to 5.00%

**FOWLERVILLE COMMUNITY SCHOOLS  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 1998 DURANT  
YEAR ENDED JUNE 30, 2008**

\$229,022 Durant Bond - issued on November 24, 1998

Principal due May 15,	Interest due May 15,	Debt service requirement for fiscal year	
		June 30,	Amount
\$ 12,746	\$ 3,337	2009	\$ 16,083
13,352	2,730	2010	16,082
13,988	2,095	2011	16,083
14,653	1,429	2012	16,082
80,490	27,566	2013	108,056
<u>\$ 135,229</u>	<u>\$ 37,157</u>		<u>\$ 172,386</u>

This bond is not subject to redemption prior to maturity by the School District and the School District hereby covenants that it will not issue any other bonds or obligations for the purpose of refunding this bond. The interest rates, payable on this bond, is 4.76%, may be adjusted in the sole discretion of the Authority provided that no interest rate shall exceed the maximum rate permitted by law and no interest rate adjustment which causes the total interest payable on this bond to increase shall be permitted.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**FOWLERVILLE COMMUNITY SCHOOLS  
SCHEDULE OF BORROWINGS – STATE OF MICHIGAN  
SCHOOL BOND LOAN AND SCHOOL LOAN REVOLVING FUNDS  
YEAR ENDED JUNE 30, 2008**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Program. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State under this program have been summarized as follows:

Year ended June 30,	Loan proceeds	Interest expense	Loan balance (net change)
1996	\$ 1,561,544	\$ 164,664	\$ 1,726,208
1997	1,316,776	111,431	1,428,207
1998	2,225,414	209,835	2,435,249
1999	930,028	318,987	1,249,015
2000	1,692,500	385,914	2,078,414
2001	1,679,527	475,004	2,154,531
2002	1,426,547	488,901	1,915,448
2003	1,009,418	455,201	1,464,619
2004 refinance payment	(11,806,245)	(2,274,395)	(14,080,640)
2004	1,453,524	123,819	1,577,343
2005	2,650,529	81,300	2,731,829
2006	3,116,488	249,854	3,366,342
2007	3,122,515	453,701	3,576,216
2008	2,988,701	588,001	3,576,702
Totals June 30, 2008	<u>\$ 13,367,266</u>	<u>\$ 1,832,217</u>	<u>\$ 15,199,483</u>

Balance at June 30, 2008

School Bond Loan Fund	4.25%	\$ 5,332,153
School Loan Revolving Fund	4.38456%	<u>9,867,330</u>
		<u>\$ 15,199,483</u>

**FOWLERVILLE COMMUNITY SCHOOLS**

**ADDITIONAL REPORTS REQUIRED BY  
OMB CIRCULAR A-133**

**YEAR ENDED JUNE 30, 2008**

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Dennis D. Theis  
James A. McNeeley  

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Fowlerville Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fowlerville Community Schools as of and for the year ended June 30, 2008, which collectively comprise Fowlerville Community Schools' basic financial statements and have issued our report thereon dated September 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Fowlerville Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fowlerville Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fowlerville Community Schools' internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fowlerville Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Fowlerville Community Schools in a separate letter dated September 12, 2008.

This report is intended solely for the information and use of management, Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mamie Costeniser & Ellis, P.C.*

September 12, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Fowlerville Community Schools

**Compliance**

We have audited the compliance of Fowlerville Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Fowlerville Community Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Fowlerville Community Schools' management. Our responsibility is to express an opinion on Fowlerville Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fowlerville Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Fowlerville Community Schools' compliance with those requirements.

In our opinion, Fowlerville Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

## Internal Control Over Compliance

The management of Fowlerville Community Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fowlerville Community Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fowlerville Community Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated September 12, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Fowlerville Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer, Costeniser & Ellis, P.C.*

September 12, 2008

**FOWLerville COMMUNITY SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 6/30/2007	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue 6/30/2008
<u>U.S. Department of Agriculture:</u>								
Passed through Michigan Department of Education:								
Child nutrition cluster:								
National School Lunch Program - Section 4	10.555	071950	\$ 6,601	\$ -	\$ 5,759	\$ 6,601	\$ 6,601	\$ -
National School Lunch Program - Section 4		071950	24,599	-	19,301	24,599	24,599	-
National School Lunch Program - Section 11		081950	51,674	-	49,439	51,674	51,674	-
National School Lunch Program - Section 11		081960	189,409	-	171,142	189,409	189,409	-
			<u>272,283</u>	<u>-</u>	<u>245,641</u>	<u>272,283</u>	<u>272,283</u>	<u>-</u>
National School Lunch Program - Breakfast	10.553							
National School Lunch Program - Breakfast		071970	3,492	-	3,399	3,492	3,492	-
National School Lunch Program - Breakfast		081970	38,285	-	39,563	38,285	38,285	-
			<u>41,777</u>		<u>42,962</u>	<u>41,777</u>	<u>41,777</u>	<u>-</u>
Total child nutrition cluster			<u>314,060</u>	<u>-</u>	<u>288,603</u>	<u>314,060</u>	<u>314,060</u>	<u>-</u>
National School Lunch Program - Commodities:								
Entitlement	10.550		59,173	-	53,350	59,173	59,173	-
Bonus			233	-	754	233	233	-
			<u>59,406</u>		<u>54,104</u>	<u>59,406</u>	<u>59,406</u>	
Child Care Food Program-CCFP Meals	10.558	071920	307	-	65	307	307	-
		081920	245	-	611	245	245	-
			<u>552</u>	<u>-</u>	<u>676</u>	<u>552</u>	<u>552</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>374,018</u>	<u>-</u>	<u>343,383</u>	<u>374,018</u>	<u>374,018</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

**FOWLerville COMMUNITY SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 6/30/2007	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue 6/30/2008
<u>U.S. Department of Education:</u>								
Passed through Michigan Department of Education:								
Title 1	84.010							
		061530-0607	\$ 9,124	\$ 1,899	\$ 9,124	\$ 1,899	\$ -	\$ -
		071530-0607	274,018	9,357	232,202	26,211	16,854	
		081530-0708	352,982	-	-	219,714	302,923	83,209
			<u>636,124</u>	<u>11,256</u>	<u>241,326</u>	<u>247,824</u>	<u>319,777</u>	<u>83,209</u>
Title V LEA Allocation	84.298							
		070250-0607	651	476	651	476	-	-
		080250-0708	645	-	-	-	645	645
			<u>1,296</u>	<u>476</u>	<u>651</u>	<u>476</u>	<u>645</u>	<u>645</u>
Technology literacy challenge grants	84.318							
		084290-0708	<u>3,083</u>	<u>-</u>	<u>-</u>	<u>3,083</u>	<u>3,083</u>	<u>-</u>
Improving teacher quality	84.367							
		070520-0607	102,587	9,039	90,761	16,013	6,974	-
		080520-0708	110,234	-	-	50,951	68,403	17,452
			<u>212,821</u>	<u>9,039</u>	<u>90,761</u>	<u>66,964</u>	<u>75,377</u>	<u>17,452</u>

The accompanying notes are an integral part of this schedule.

**FOWLerville COMMUNITY SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 6/30/2007	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue 6/30/2008
Passed through the Livingston Educational Service Agency								
Transition Grant (Special Ed) Project 2007-2008	84.027A	080490-ts	\$ 1,403	\$ -	\$ -	\$ -	\$ 599	\$ 599
Passed through the Livingston Educational Service Agency								
Safe and Drug Free Schools	84.186							
Project number 2005-2006		62860	11,202	2,595	11,202	2,595	-	-
Project number 2006-2007		72860	8,780	6,884	6,884	8,780	1,896	-
Project number 2007-2008		82860	9,857	-	-	-	7,172	7,172
			<u>29,839</u>	<u>9,479</u>	<u>18,086</u>	<u>11,375</u>	<u>9,068</u>	<u>7,172</u>
Vocational Education - Basic Grant to State	84.048							
Perkins 2006-2007		73520	18,126	3,096	18,126	3,096	-	-
Perkins 2007-2008		83520	4,362	-	-	2,759	4,362	1,603
			<u>22,488</u>	<u>3,096</u>	<u>18,126</u>	<u>5,855</u>	<u>4,362</u>	<u>1,603</u>
Tech-Prep Education								
Project 2007-2008	84.243	83540	17,491	-	-	9,194	17,491	8,297
Total U.S. Department of Education			<u>924,545</u>	<u>33,346</u>	<u>368,950</u>	<u>344,771</u>	<u>430,402</u>	<u>118,977</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,298,563</u>	<u>\$ 33,346</u>	<u>\$ 712,333</u>	<u>\$ 718,789</u>	<u>\$ 804,420</u>	<u>\$ 118,977</u>

The accompanying notes are an integral part of this schedule.



**FOWLERVILLE COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Fowlerville Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. The Child Nutrition Cluster (CFDA #10.555 and #10.553) was audited as the major program, representing 39% of expenditures. The District qualifies for low risk auditee status.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Auditors' Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 430,954
Other nonmajor governmental fund	<u>373,466</u>
Subtotal	<u><u>\$ 804,420</u></u>

6. The National School Lunch Program Commodities Entitlement award amount was \$48,058. The District received commodities from Great Lakes Co-Op totaling \$59,173. Based upon confirmation from the Michigan Department of Education, \$59,173 has been recorded.

**FOWLerville COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**Section I - Summary of Auditors' Results**

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***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

➤ Material weakness(es) identified: \_\_\_\_\_ Yes        X   No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

***Federal Awards***

Internal control over major programs:

➤ Material weakness(es) identified: \_\_\_\_\_ Yes        X   No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes        X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555, 10.553	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes      \_\_\_\_\_ No

**Section II - Financial Statement Findings**

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None

**Section III - Federal Award Findings and Questioned Costs**

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None

**FOWLERVILLE COMMUNITY SCHOOLS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2008**

There were no prior year audit findings for the year ended June 30, 2007.



Lamonte T. Lator  
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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

September 12, 2008

To the Fowlerville Finance Committee  
Fowlerville Community Schools

In planning and performing our audit of the financial statements of Fowlerville Community Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Fowlerville Community Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 12, 2008 on the financial statements of Fowlerville Community Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

### **Payroll review procedures**

During the audit, we noted that a new procedure had been implemented around December 2007. This new control procedure requires the human resources clerk to sign-off on the direct deposit, check register, and payroll tax reports. We commend the District on implementing this control, and encourage the District to continue performing this procedure.

### **Review of bank statements**

Currently, the fund account supervisor is responsible for other cash functions and also reviews bank reconciliations. This provides an ineffective system of cash control, because it permits the possibility of fraudulent activities due to the lack of an adequate segregation of duties. An employee independent of cash receipt and disbursement activities should review the bank reconciliations.

We recommend that the Assistant Superintendent assume this responsibility. The Assistant Superintendent should review the bank statements and copies of the canceled checks and investigate strange or unusual items, should any be found. Documentation of the review of the items should be made on the face of the bank statement. Implementing this review procedure will significantly improve the system of checks and balances necessary for strong cash control.

### **Uninsured bank deposits**

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$100,000 for demand accounts (checking) and \$100,000 for time deposit accounts (savings/certificates of deposit). Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Fowlerville Community Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Mamie Costeniser & Ellis, P.C.*



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis  
James A. McNeeley  

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

September 12, 2008

To the Fowlerville Finance Committee  
Fowlerville Community Schools  
Fowlerville, Michigan

We have audited the financial statements of Fowlerville Community Schools for the year ended June 30, 2008, and have issued our report thereon dated September 12, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Fowlerville Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Fowlerville Community Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Fowlerville Community Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Fowlerville Community Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Fowlerville Community Schools' compliance with those requirements.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 22, 2008.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Fowlerville Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout; the balance reported for compensated absences was approximately \$260,000 and accumulated severance benefits were approximately \$1,215,000. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimated lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain amounts included in capital assets have been estimated based on an outside appraisal company. Certain allocations on the statement of activities allocating revenue between instruction and support services have been used in preparing the statements.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.



*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 12, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Finance Committee, the Board of Education, management, and federal awarding agencies and pass-through entities of Fowlerville Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Maner, Costeniser & Ellis, P.C.*